

P. O. BOX 1033
Atlanta, Georgia 30370

Person to Contact:

Contact Telephone Number:

MAY 14 1985

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED

Dear Sir or Madam:

It has been determined that the [REDACTED] does not meet the requirements for exemption under section 501(c)(3) of the Internal Revenue Code. This was because it did not primarily engage in activities that accomplish one or more of the purposes specified in section 501(c)(3).

On January 7, 1985, you were notified of our proposed denial of exempt status. This letter is to notify you that the proposed denial is final.

You are now required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Internal Revenue Service Center.

It is further determined that your failure to file a written appeal constitutes a failure to exhaust your available administrative remedies. However, if you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Court of Claims, or the United States District Court for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment.

In accordance with section 6104(c) of the Internal Revenue Code, the appropriate state officials will be notified of this action.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

/s/ [REDACTED]

District Director

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	4-8-85	4/11/85	5-3-85	5/7/85	5/9/85		

Internal Revenue Service
Room 146, Quality Review Staff
P. O. Box 1055
Atlanta, Georgia 30370

Department of the Treasury

Person to Contact:

Contact Telephone Number:

Employer Identification
Number:

File Folder Number:

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Applicant:

We have considered your application for exemption from Federal Income tax as an organization described in section 501(c)(3) of the Internal Revenue Code.

The information presented discloses that you were incorporated [REDACTED], under the nonprofit laws of the State of [REDACTED]. Your purposes include the following:

To promote the adoption and application of higher social, business, and professional standards.

To provide through this club a practical means to form enduring business relationships.

To promote the businesses of the members and in particular to promote the exchange of business information and ideas.

To promote business in the [REDACTED] area.

Your activities include holding weekly breakfast meetings where each member discusses business events and news of the past week that affects them or other members and at which business tips (potential sales for members) and leads are exchanged. A member is also the featured speaker at the breakfast, and an ad which includes the member's name, occupation, and picture and identifying him as a member is placed in a newspaper. Your other activities include holding a monthly meeting at a member's business for tip exchanges and printing brochures listing member's names, business names, and addresses. You state that all your members have gained additional clients/sales from tips and leads received from other members within the group.

Your membership is composed of persons, partnerships, firms and corporations, each representing a different trade, business, occupation, or profession. Any of the above whose main activity or profession is not in competition with that of a member is eligible for membership in your organization. An application for membership shall not be denied by reason of any conflict between the main activity of such applicant and an incidental activity of a member.

Your income is derived principally from membership dues and is disbursed for monthly meeting expenses, ads, and brochures.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from Federal income tax under section 501(a) and reads in part, as follows:

"(3) Corporations and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of its activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

Section 1.501(c)(3)-1 of the Income Tax Regulations provides, in part, as follows:

"(a)(1) In order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt."

Section 1.501(c)(3)-1(b)(1)(iii) of the Income Tax Regulations provides in part, as follows:

"An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes."

Section 1.501(c)(3)-1(d)(1)(i) of the Income Tax Regulations provides that,

"An organization may be exempt as an organization described in section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

- (a) Religious,
- (b) Charitable,
- (c) Scientific,
- (d) Testing for public safety,
- (e) Literary,
- (f) Educational, or
- (g) Prevention of cruelty to children or animals."

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that,

"An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league...."

Rev. Rul. 59-391, 1951-2 C.B. 151, holds that an organization composed of individuals, firms, associations, and corporations, each representing a different trade, business, occupation, or profession and created for the purpose of exchanging information or business prospects has no common business interest other than a desire to increase sales of members and is not entitled to exemption under Code section 501(c)(6). The organization's activities are not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members.

Your purposes, as stated in your Articles of Incorporation, are broader than those of section 501(c)(3) of the Code, and you do not primarily engage in activities that accomplish one or more of the purposes specified in section 501(c)(3). Therefore, you are not organized and operated exclusively for one or more exempt purposes within the meaning of Code section 501(c)(3).

Your members do not have a common business interest other than a mutual desire to increase their individual sales. Further, your activities are not directed to the improvement of one or more lines of business, but rather to the promotion of your members' private interests. Therefore, you are not operated in a manner consistent with the intent of Code section 501(c)(6).

You do not meet the requirements for exemption under Code section 501(c)(3), section 501(c)(6), or any other subsection of the Code. You are required to file Federal Income Tax Returns, Form 1120, and when due, Federal Employment Tax Returns, Form 941, and Federal Unemployment Tax Returns, Form 940, for all years.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

If you do not agree with our findings we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office.

Section 7428 of the Internal Revenue Code, entitles you to file a petition for a declaratory judgment in the United States Tax Court, the United States Claims Court, or the United States District Court for the District of Columbia with respect to this determination. However, section 7428(b)(2) of the Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If we have not received an appeal within 30 days, this will become our final determination letter. Your failure to exercise your appeal rights will be considered by the Internal Revenue Service as a failure to exhaust your available administrative remedies.

Sincerely yours,


District Director

Enclosures
Form 1120
Publication 892